

When I assembled my letter for last year's Annual Financial Statement, I commented upon the misguided actions of more than a few financial institutions, their departure from sound banking principles, the resulting negative consequences of poorly-underwritten and thoughtless lending, and the resulting skepticism and uneasiness such action created within their customers. Now, a year later, this discomfiting situation has only become more acute: the number of financial institutions impacted by the subprime mortgage debacle has increased; mortgage foreclosures are at record levels and increasing; and a severe recession negatively impacts all sectors of the country. For many patrons of the financial services industry, last year's apprehension has become this year's disbelief; 2008's annoyance has become 2009's anger; the confusion of the past year has become the dominating worry of the present day.

Through it all, Valley Savings Bank, which never wavered from its mission of community focus, remains strong, has been able to avoid the operational pitfalls which have plagued an overwhelming number of financial institutions during the past year, and is performing at a high level. The fiscal condition of Valley Savings Bank is very strong. The 2008 Year-End Balance Sheet displays the financial strength of Valley Savings Bank. Tier One tangible capital for the bank grew 42 basis points during the past year and began 2009 at a level of 7.39% – well in excess of the Tier One tangible capital level of 5.00% which is required for a bank to be classified as “well capitalized”. The 2008 earnings for Valley Savings Bank were also very solid. During the year when significant economic challenges promoted subpar performances for many financial institutions, the 2008 earnings for Valley Savings Bank actually improved significantly and resulted in the bank posting net earnings solidly in the second quartile (above the median) for banks similarly situated. With a strong capital base, excellent asset quality, and ample liquidity, the bank has begun 2009 on a very positive note. Early performance by the bank this year suggests Valley Savings Bank can look forward to a very strong performance year in 2009.

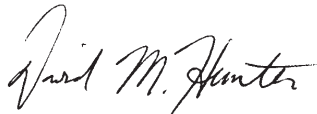
Unlike a surprising number of other financial institutions which somehow lost their way, Valley Savings Bank has maintained its adherence to time-tested and solid banking principles. As a consequence, Valley Savings Bank remains a safe haven for your deposits, your savings, and your CD investments – all of which are additionally protected by recently increased FDIC insurance coverage. As has been our practice, all of our various residential and commercial loans are carefully underwritten. Because the bank makes loans only in those circumstances where the borrowers' ability to repay has been properly verified, the bank's asset quality remains exceptionally strong.

The bank's Mission Statement, noted on this page, makes reference to Valley Savings Bank as an “independent community bank.” This independence, a characteristic of our company since its founding in 1923, has taken on new and additional significance in recent months with the federal government now extending capital funding to struggling banks in exchange for shares of preferred stock in such institutions. Not needing this federal capital assistance (nor wanting the compromising complications involved in governmental ownership), Valley Savings Bank has neither asked for nor received any federal capital funding.

During these unsettled times, there are a variety of concerns and problems which dominate the thinking of all of us. Concerns about the strength or long-term viability of your bank should not be one of these. With the bank's solid economic footing and strong earnings performance, our customers are not burdened by these concerns. Please be assured Valley Savings Bank remains stable, secure, and strong . . . as it has since its founding in 1923.

Many thanks to all of you for your patronage and your support of Valley Savings Bank.

Sincerely,



David M. Hunter
Chairman of the Board,
Chief Executive Officer
Valley Savings Bank



MISSION STATEMENT

Valley Savings Bank is a responsive, independent community bank committed to satisfying customers' expectations through excellence established in a team environment.

Each of our team members is involved in the constant improvement of the products and services we deliver. We provide each of them with the training and tools necessary to contribute to our growing customer base.

For over 85 years, we've helped families in our community reap the benefits of their hard work and dreams.

As we begin the new year, Valley officers, directors and staff members remain firmly committed to helping people in our community meet their present and future financial needs.

ANNUAL FINANCIAL STATEMENT

As of December 31, 2008



ASSETS	2008	2007
Cash and Cash Equivalents	\$ 2,670,223	\$ 3,275,788
Federal Home Loan Bank Term Deposits	0	725,000
Investments	0	200,000
Loans Receivable	98,504,875	98,459,431
Accrued Interest Receivable	395,710	423,527
Federal Home Loan Bank Stock, At Cost	2,485,000	2,388,300
Prepaid Expenses and Other Assets	3,184,591	3,243,355
Company Premises and Equipment, Net	273,631	336,838
Real Estate Owned	379,332	355,000
Total Assets	\$107,893,362	\$109,407,239
LIABILITIES		LIABILITIES
Deposits	\$ 71,162,484	\$ 76,591,048
Federal Home Loan Bank Advances	27,300,000	24,000,000
Other Liabilities	1,461,829	1,195,384
Total Liabilities	\$ 99,924,313	\$ 101,786,432
SHAREHOLDERS' EQUITY		
Capital Stock	\$ 113,900	\$ 113,900
Retained Earnings	7,855,149	7,506,907
Total Shareholders' Equity	7,969,049	7,620,807
Total Liabilities and Shareholders' Equity	\$107,893,362	\$109,407,239

OFFICERS

<i>David M. Hunter</i>	Chairman of the Board, Chief Executive Officer
<i>Ann H. Durr</i>	President, Chief Operating Officer
<i>Marilyn K. Jacob</i>	Vice President, Chief Financial Officer
<i>William A. Flinta</i>	Vice President, Senior Lender
<i>Debbie L. McMurray</i>	Vice President, Operations
<i>Aaron M. Barnhart</i>	Assistant Vice President
<i>Patricia A. Denham</i>	Assistant Vice President
<i>Wanda F. Webb</i>	Assistant Vice President
<i>Matthew L. Vargo</i>	Assistant Vice President
 <i>Kathryn M. Hunter</i>	 Honorary Chair

DIRECTORS

<i>David M. Hunter</i>	Chairman Partner, Brouse McDowell
<i>Marcy A. Cona</i>	Director Creative Director Clairol Division of P&G President M.C. Hair Consultants
<i>Linda L. Gentile</i>	Director Vice President of Subsidiary Companies Children's Hospital of Akron
<i>Martin P. Hauser</i>	Director President, SummaCare, Inc.
<i>James B. Hunter, CPA</i>	Director President, First Akron Development Corporation
<i>Peter H. Loal</i>	Director President, Paper Resource Group, LLC
<i>Bruce W. Wright</i>	Director President & CEO, Prospect Mold, Inc.

ANNUAL
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